

This record is a partial extract of the original cable. The full text of the original cable is not available.

S E C R E T NOFORN SECTION 01 OF 02 ROME 000059

SIPDIS

STATE FOR EUR/WE, EUR/PRA, NP/ECNP, INR/SPM, NEA/NGA,  
PM/RSAT

E.O. 12958: DECL: 01/08/2014  
TAGS: [PARM](#) [ETTC](#) [PREL](#) [EIND](#) [IR](#) [IT](#) [EXPORT](#) [CONTROLS](#)  
SUBJECT: SALE OF FAST BOATS TO IRAN

REF: A. ROME 5680

[1B](#). ROME 5552  
[1C](#). STATE 338477  
[1D](#). ROME 5202 AND PREVIOUS  
[1E](#). STATE 348141

CLASSIFIED BY: CHARGE D'AFFAIRES EMIL SKODON FOR REASONS 1.5 (A) (B) AN  
D 1.6X6.

[11](#). (S) ON JAN. 7 ECON COUNSELOR CALLED ON GABRIELE CHECCHIA,  
DIPLOMATIC ADVISOR  
TO MINISTER OF PRODUCTIVE ACTIVITIES (INDUSTRY) MARZANO, TO  
CONTINUE REFTEL A  
DISCUSSION OF FB DESIGN'S EXPORT TO IRAN OF FOUR FAST BOATS.  
ECON COUNSELOR SAID  
WE UNDERSTOOD TWO BOATS WERE ALREADY IN IRAN, AND THAT THE  
THIRD BOAT, DUE TO HAVE  
BEEN SHIPPED FROM VENICE DECEMBER 19, WAS NOW REPORTEDLY TO  
BE SHIPPED JANUARY 15.  
SHE STRESSED THERE WAS NOW WIDE-SPREAD INTEREST IN WASHINGTON  
IN WHAT STEPS THE GOI  
COULD TAKE TO HALT SHIPMENT OF THE REMAINING TWO. THERE WERE  
ONLY EIGHT DAYS REMAINING TO THE NEXT SHIPMENT DATE.

[12](#). (S) CHECCHIA AGAIN SAID THE GOI HAD NO LEGAL AUTHORITY TO  
SEIZE THE BOATS OR HALT SHIPMENT. IMMEDIATELY FOLLOWING ECON COUNSELOR'S  
PREVIOUS CALL, HE HAD BRIEFED MINISTER MARZANO OF THE USG CONCERNS OVER FURTHER  
EXPORTS. HOWEVER, BOTH HE AND THE MINISTER CONCLUDED THAT CHECCHIA'S SUGGESTION  
OF A DECREE LAW (REF A), WHICH THE COUNCIL OF MINISTERS COULD PASS QUICKLY TO  
PERMIT IMMEDIATE HALT OF THE EXPORT, WOULD BE MORE DIFFICULT THAN CHECCHIA  
ORIGINALLY THOUGHT. SPECIFICALLY, MARZANO (AND CHECCHIA) THOUGHT THAT MINISTERS  
MUST ALSO CAREFULLY CONSIDER THE DOMESTIC REPERCUSSIONS OF FORCIBLY HALTING  
FURTHER EXPORT. CHECCHIA SAID HE THOUGHT SUCH A STEP WOULD BANKRUPT FB DESIGN  
AND POSSIBLY A SECOND FIRM PROVIDING COMPONENT PARTS, NOTABLY, ENGINES FOR  
THE FAST BOATS (ISOTTA FASCHINI MOTORI, S.P.A. IN BARI, ITALY). CHECCHIA  
ALSO SAID, WITH RESPECT TO COMPENSATION, THAT IN ADDITION TO THE COSTS OF THE  
BOATS (AND POSSIBLY A PENALTY FOR NOT MEETING THE CONTRACTUAL OBLIGATION  
WITH IRAN), ONE MUST ALSO CONSIDER UNSPECIFIED "LABOR COSTS." ON ISOTTA  
FASCHINI MOTORI, HE SAID ITS CORPORATE PLANS WERE BASED ON SALES PROCEEDS FROM  
THE BOATS AND THAT THE "OPPORTUNITY COSTS" OF LOSING THESE REVENUES MUST BE PART  
OF ANY COMPENSATION PLAN.

[13](#). (S) TO DRIVE HOME THE POINT, CHECCHIA REPEATED THAT EVEN  
IF THE GOI COULD SOLVE THE LEGAL PROBLEM OF HOW TO HALT SHIPMENT, THERE STILL  
REMAINED THE DOMESTIC PROBLEM OF COMPENSATING BOTH FIRMS. HE WONDERED  
ALOUD THREE TIMES WHETHER THE USG COULD HELP ON THIS SCORE. CHECCHIA INITIALLY  
SAID MINISTER MARZANO HAD AGREED TO MEET WITH "CONCERNED MINISTRIES" WITHIN THE  
NEXT WEEK ON THE ISSUE. PRESENTED WITH THIS NEWEST INFORMATION THAT THE THIRD BOAT  
WAS NOW DUE TO BE SHIPPED JANUARY 15, CHECCHIA SAID HE WOULD SEEK TO HAVE THE MEETING  
MOVED FORWARD. HE SAID HE WOULD CALL ECON COUNSELOR WITH A REPORT OF THAT MEETING,  
WHENEVER IT TAKES PLACE.

COMMENT AND RECOMMENDATIONS:

ROME 00000059 002 OF 002

TION THAT THE GOI WILL ACT QUICKLY ENOUGH TO HALT SHIPMENT OF THE TWO REMAINING  
BOATS. IF ANYTHING, SENIOR ITALIAN OFFICIALS APPEAR TO HAVE CONCLUDED  
THAT THEY ARE CONSTRAINED FROM ACTING NOT ONLY BY THEIR LACK OF LEGAL  
AUTHORITY, BUT ALSO BY THE POSSIBLE FINANCIAL AND LABOR IMPLICATIONS FOR THE TWO ITALIAN  
FIRMS INVOLVED. FOR WELL MORE THAN ONE YEAR, EMBASSY ROME HAS RAISED THIS  
ISSUE REPEATEDLY AND AT EVERY LEVEL, FROM THE AMBASSADOR ON DOWN,  
WITH FM FRATTINI, THE PRIME MINISTER'S SENIOR ADVISORS, AND AT OTHER SENIOR  
LEVELS IN THE MINISTRIES OF FOREIGN AFFAIRS AND PRODUCTIVE ACTIVITIES. THE  
SECRETARY HAS ALSO RAISED THE ISSUE WITH FM FRATTINI. AT THIS JUNCTURE, WE

SIPDIS

BELIEVE OUR BEST REMAINING SHOT AT GETTING THE ITALIAN GOVERNMENT TO INTERVENE AND STOP  
THE EXPORT OF THE LAST TWO BOATS, WOULD BE EITHER ANOTHER DIRECT COMMUNICATION  
FROM THE SECRETARY TO FM FRATTINI, OR ALTERNATIVELY, A MESSAGE FROM NSA RICE TO  
HER ITALIAN EQUIVALENT, GIOVANNI CASTELLANETA, SENIOR DIPLOMATIC ADVISOR  
TO THE PRIME MINISTER. THERE IS NO GUARANTEE, HOWEVER, THAT EVEN THESE  
STEPS WILL SUCCEED, GIVEN THE OBSTACLES PERCEIVED BY THE ITALIANS.

[15](#). (S) WITH RESPECT TO THE LONGER TERM QUESTION OF  
ADDRESSING THE DEFICIENCIES IN  
ITALY'S EXPORT CONTROL REGIME IN A MANNER THAT ALLOWS US TO  
DEAL WITH CASES LIKE FAST BOATS MORE EFFECTIVELY IN THE FUTURE, WE WOULD  
SUGGEST THAT "QUICK" ACTION IN THE ABSENCE OF CLEAR LEGAL AUTHORITY" BE MADE AN  
AGENDA ITEM FOR THE NEXT ROUND OF BILATERAL DUAL-USE EXPORT CONTROL DISCUSSIONS,  
DUE TO BE HELD THE FIRST QUARTER OF THIS YEAR. WE SUGGEST ALSO THAT AN UPDATED  
INTELLIGENCE BRIEFING BE ARRANGED FOR APPROPRIATE GOI OFFICIALS ON THE LARGER PICTURE

OF IRANIAN PURCHASES IN EUROPE (CASTELLANETA'S PROPOSED WASHINGTON TRIP AT THE END OF JANUARY MAY PROVIDE THE OPPORTUNITY FOR SUCH A BRIEFING). FINALLY, SINCE OTHER COUNTRIES MAY FACE SIMILAR EXPORT CONTROL DEFICIENCIES, WE WOULD SUGGEST ADDRESSING THE ISSUE AT THE DEFENSE TRADE CONTROLS MEETING PROPOSED FOR MARCH IN WASHINGTON (REF E). END COMMENT AND RECOMMENDATIONS.

SKODON  
SKODON

NNNN  
2004ROME00059 - Classification: SECRET NOFORN